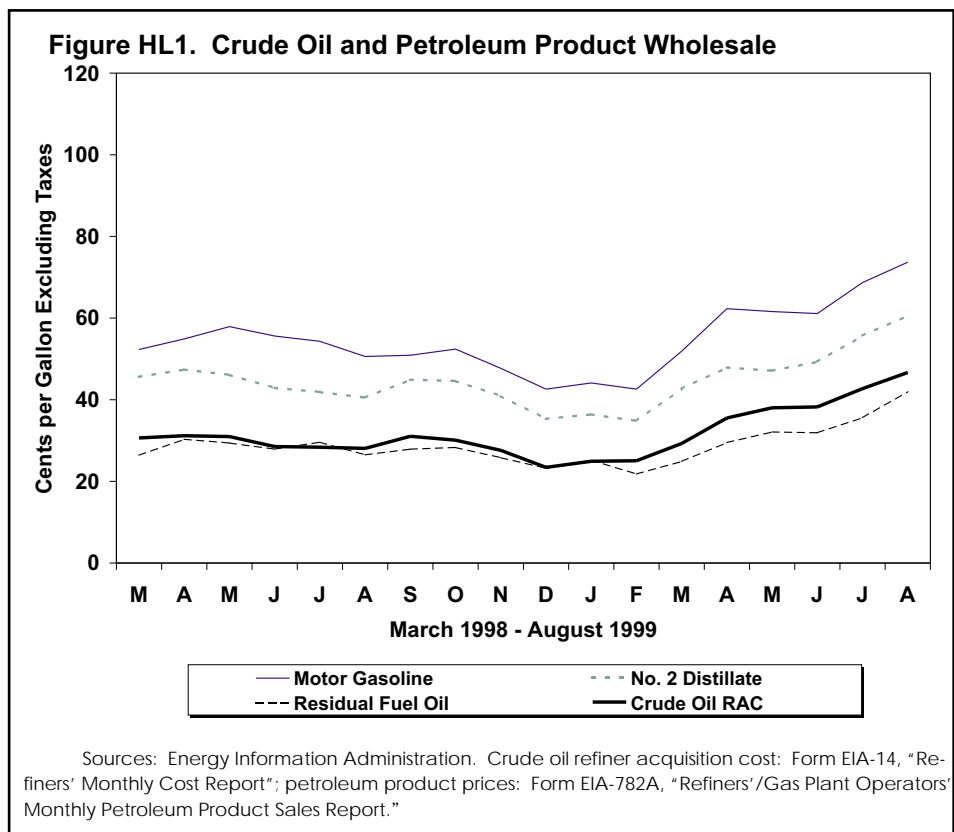


# Highlights

Continuing the general trend seen since February, world crude oil prices rose during August. While the increases were not as dramatic as those in recent months, the monthly range of prices for key crude oil streams generally reached higher minimum levels. The reduced wellhead output for countries participating in Organization of Petroleum Exporting Countries (OPEC)-sponsored production cuts agreements continued to be the leading factor behind the upward trend in prices. More specifically, data regarding crude oil stocks across the globe indicate inventories are not falling as much as the recent price increase would suggest. Notably, after some talk of easing the revised production quotas, the main architects of the current production cuts agreements, Mexico, Saudi Arabia, and Venezuela, announced their decision to maintain current quota levels through March 2000 after meeting in Caracas, Venezuela on August 28. In addition to that decision, Venezuelan representatives presented the idea of developing a system that would adjust crude oil production rates according to a predetermined band of market prices for benchmark streams. Meeting participants described the plan as in a very early stage, with further examination needed. Data reflecting U.S. imports of crude oil during August show that nearly 42 percent of all foreign crude oil came from these three countries. During the period between January 1997 and August 1999, imports from these sources ranged between a low of 36.7 percent in August 1998 and the high of 53.8 percent in February 1998. International crude oil prices have also received support from Asia in recent months as recovering national economies have spurred demand for product. Prior to the October 1998 economic collapse, market players viewed Asia as

the region with the most potential for significant demand growth.

In the United States, crude oil and finished product prices continued to increase during the last full month of summer. Further, despite rising prices for crude oil, refining margins reached their highest level in two years during the first week of the month, and remained high throughout the rest of August. Ongoing and new refinery problems supported gasoline prices across the nation during the month. Facilities on the West Coast experienced a continuation of the problems that first occurred during July. However, as supplies were replenished and the affected facilities repaired, prices in the region eased back to more typical ranges by the second half of August. A fire in a crude oil pipeline in Texas and problems at several refineries in the Gulf Coast region during the month sustained prices



**Table HL1. U.S. Refiner Prices and Volumes of Petroleum Products**

(Prices: Cents per Gallon Excluding Taxes, Volumes: Million Gallons per Day)

Products	Sales to End Users						Sales for Resale					
	August 1999		July 1999		August 1998		August 1999		July 1999		August 1998	
	Price	Volume	Price	Volume	Price	Volume	Price	Volume	Price	Volume	Price	Volume
<b>Motor Gasoline</b> .....	85.5	63.5	80.6	68.0	66.7	66.9	73.7	307.7	68.7	317.5	50.6	308.4
<b>Conventional</b> .....	81.8	38.6	77.9	42.6	63.9	41.1	70.1	206.0	65.1	211.6	47.3	209.8
Regular .....	78.1	27.3	74.1	29.7	59.8	28.4	68.1	158.3	63.1	161.0	45.0	159.3
Midgrade .....	87.6	6.0	83.3	6.8	69.6	6.5	74.1	15.6	69.1	16.2	51.0	16.5
Premium .....	94.4	5.2	90.4	6.2	76.9	6.2	77.8	32.1	72.6	34.4	56.0	34.1
<b>Oxygenated</b> .....	92.9	1.9	86.1	2.0	70.7	1.9	82.9	6.2	76.7	6.4	57.8	5.6
Regular .....	91.2	1.5	84.4	1.6	68.3	1.5	82.4	4.7	76.2	4.8	56.4	4.3
Midgrade .....	97.4	0.2	90.7	0.2	77.1	0.2	78.9	0.9	73.0	1.0	58.9	0.8
Premium .....	105.1	0.1	97.0	0.2	84.8	0.2	92.4	0.6	86.3	0.6	66.8	0.5
<b>Reformulated</b> .....	91.2	23.1	85.0	23.4	71.2	23.9	81.0	95.5	75.7	99.5	57.6	92.9
Regular .....	87.2	16.0	80.8	16.0	66.2	15.6	78.0	66.5	72.8	68.9	53.8	61.4
Midgrade .....	96.5	3.7	90.5	3.8	76.7	4.0	85.2	10.2	79.3	10.6	62.1	10.9
Premium .....	104.1	3.4	97.7	3.6	84.4	4.2	89.4	18.8	83.9	19.9	66.6	20.6
<b>Aviation Gasoline</b> .....	114.7	0.2	110.0	0.2	95.9	0.2	107.3	0.9	103.0	1.0	91.7	0.7
<b>Kerosene-Type Jet Fuel</b> .....	59.5	50.6	54.6	50.9	43.6	51.5	58.9	14.6	53.6	14.6	42.9	12.4
<b>Propane (Consumer Grade)</b> .....	43.1	4.9	41.1	2.7	33.5	2.4	38.3	30.1	34.6	28.9	25.7	27.7
<b>Kerosene</b> .....	62.4	0.2	58.2	0.1	41.5	0.6	59.3	0.9	53.5	0.8	40.7	0.9
<b>No. 1 Distillate</b> .....	66.5	0.1	59.9	0.1	NA	NA	66.9	0.7	61.8	0.5	51.3	0.4
<b>No. 2 Distillate</b> .....	63.7	23.4	58.3	22.8	45.8	25.0	60.6	113.5	55.7	106.9	40.5	115.8
No. 2 Fuel Oil .....	59.1	2.7	53.6	2.6	43.1	3.7	56.4	20.2	51.4	18.5	36.9	20.9
No. 2 Diesel Fuel .....	64.3	20.7	59.0	20.2	46.3	21.2	61.5	93.3	56.6	88.4	41.4	94.8
Low Sulfur .....	66.3	14.1	61.3	13.8	48.0	14.4	62.1	81.0	57.2	76.3	41.7	80.7
High Sulfur .....	60.1	6.6	53.9	6.4	42.8	6.9	57.8	12.3	52.4	12.1	39.2	14.1
<b>No. 4 Fuel<sup>a</sup></b> .....	50.6	0.3	46.3	0.4	36.2	0.4	49.5	0.1	43.5	0.1	36.0	0.0
<b>Residual Fuel Oil</b> .....	43.6	15.1	36.1	14.7	28.7	17.8	42.0	7.9	35.6	11.3	26.5	16.5
Sulfur Content not > 1 % .....	46.1	3.3	40.5	4.1	32.3	4.8	44.5	4.6	38.2	4.4	26.9	7.2
Sulfur Content > 1 % .....	42.9	11.8	34.5	10.6	27.4	13.0	38.6	3.3	33.9	6.9	26.1	9.2

NA = Not available.

<sup>a</sup> Includes No. 4 fuel oil and No. 4 diesel fuel.

Notes: Motor gasoline averages and totals prior to October 1993 include leaded gasoline.

Notes: Values shown for the current month are preliminary. Values shown for previous months are revised. Data are final upon publication in the *Petroleum Marketing Annual*.

Source: Energy Information Administration Form EIA-782A, "Refiners'/Gas Plant Operators' Monthly Petroleum Product Sales Report."

throughout the country. Further, almost continuous decreases in gasoline supply levels since the beginning of July provided the foundation needed to sustain the highest price levels seen in two years. Data show that U.S. gasoline stocks fell 3.1 percent from July's rate and 6.1 percent from the level seen at this time last year. Distillate prices also benefitted from the same circumstances and from robust natural gas prices. While month-to-month inventory figures show a 2.9 percent increase from July's level, stocks have fallen 5.6 percent from the year-ago rate.

Additional August market and sales activity for crude oil and the principal petroleum products are summarized in the following sections.

## Crude Oil

The daily spot price for West Texas Intermediate (WTI) crude oil at Cushing, Oklahoma climbed to a new long-term high in August, as global wellhead production rates continued to fall. Opening at \$20.52 per barrel, the price dipped to its low of \$20.21 per barrel on August 3 then followed a gradual upward path during the next several weeks. After faltering late in the month due to weekly reports showing rather unfavorable stocks data, the price rebounded. The rise was mainly the result of a combination of fundamental factors including the threat of Hurricane Dennis and the oil producers meeting in Caracas, Venezuela. The closing price, \$22.15 per barrel, marked a new 22-month high.

- Monthly average crude oil prices rose in all categories of sales again during August. The average domestic crude oil first purchase price increased \$1.44 (8.9 percent), to \$17.57 per barrel.
- The average free-on-board (f.o.b.) cost of imported crude oil increased \$1.52 (8.8 percent), to \$18.76 per barrel. The average landed cost of foreign crude oil rose \$1.36 (7.5 percent), to \$19.42 per barrel.
- The average refiner acquisition cost for domestic crude oil increased \$1.48 (8.2 percent), to \$19.58 per barrel. The average cost of imported crude oil to U.S. refiners climbed \$1.77 (9.9 percent), to \$19.61 per barrel. The composite refiner acquisition cost of crude oil increased \$1.66 (9.3 percent), to \$19.60 per barrel.

## Petroleum Products

### *Motor Gasoline*

The path of the daily spot price for unleaded regular gasoline at New York Harbor was more varied than those of other major products during August. Still responding to the refinery and supply problems on the West Coast, the price continued to rise after opening the month at 61.8 cents per gallon. The price underwent a decline during the second week of the month, mainly due to technical factors. After a period of only small movements, the price dropped to its low of 61.4 cents per gallon on August 25. Rising sharply after that point along with the rest of the complex, the price reached the high of 66.6 cents per gallon on August 30. Closing at 65.4 cents per gallon, the price was 3.6 cents higher than where it started the month.

- As was the case last month, national average gasoline prices increased in all categories of sales during August. The average price for retail sales of motor gasoline by refiners rose 4.9 cents to 85.5 cents per gallon, while the average wholesale price climbed 5.0 cents to 73.7 cents per gallon. Including data reported by a sample of motor gasoline marketers, the national average retail price at company-operated retail outlets rose 5.3 cents to 84.4 cents per gallon. The average wholesale price increased 4.9 cents to 73.7 cents per gallon. The average dealer tank wagon (DTW) price rose 5.6 cents to 81.8 cents per gallon, while the average rack price increased 4.5 cents to 70.8 cents per gallon. The average price for bulk sales

increased 5.0 cents to 65.0 cents per gallon. The difference between reformulated and conventional gasoline prices was 7.7 cents at retail and 9.1 cents at wholesale. The variation between conventional and oxygenated gasoline prices was 6.6 cents at retail and 10.7 cents at wholesale.

- Sales of gasoline by refiners during August show considerable decreases from July levels. Total retail sales declined 14.3 million gallons per day (3.7 percent), to an average of 371.2 million gallons per day. Retail sales fell 4.5 million gallons per day (6.6 percent), while wholesales dropped 9.8 million gallons per day (3.1 percent). Rack sales made up 65.1 percent of wholesales, while DTW and bulk sales accounted for 24.7 percent and 10.2 percent, respectively. Reformulated gasoline (RFG) comprised 32.0 percent of total motor gasoline sales, while oxygenated accounted for 2.2 percent.

### *No. 2 Distillate*

Led by the prices for other products, the daily spot price for No. 2 heating oil rose steadily during August. Opening at 51.4 cents per gallon, the price ebbed to its low of 50.9 cents per gallon on August 3. Gaining readily over the next several weeks, the price experienced a short-lived decrease before reaching its high of 57.6 cents per gallon on the closing day of the month. That price was 6.2 cents above the opening level for August.

- Continuing July's trend, monthly average No. 2 distillate prices remained on an upward path during August. The national average residential price rose 1.5 cents to 83.1 cents per gallon, while the average wholesale price increased 5.0 cents to 61.0 cents per gallon. The average price for No. 2 diesel fuel at company-operated retail outlets climbed 4.9 cents, while the average wholesale price increased 5.0 cents. The difference between low- and high-sulfur diesel fuel prices was 4.2 cents at retail and 3.7 cents at wholesale.
- Unlike sales of gasoline, refiner sales of No. 2 distillate increased during August. Total sales of No. 2 distillate rose 7.2 million gallons (5.6 percent), to 136.9 million gallons per day. Sales of No. 2 fuel oil increased 1.8 million gallons per day (8.5 percent), while sales of No. 2 diesel fuel rose 5.4 million gallons per day (5.0 percent). Low-sulfur diesel fuel accounted for 83.4 percent of all refiner diesel fuel sales and 69.5 percent of all refiner No. 2 distillate sales.

## ***Residual Fuel Oil***

- Like No. 2 distillate, residual fuel oil prices rose in all categories in August. Refiner prices for low-sulfur residual fuel increased 5.6 cents to 46.1 cents per gallon at retail, and 6.3 cents to 44.5 cents per gallon at wholesale. High-sulfur residual fuel prices jumped 8.4 cents to 42.9 cents per gallon at retail, and 4.7 cents to 38.6 cents per gallon at wholesale. Including data reported by the sample of residual fuel oil marketers, the average low-sulfur price climbed 5.9 cents to 45.9 cents per gallon at retail, and by 5.9 cents to 44.1 cents per gallon at wholesale. The average price for high-sulfur residual fuel oil soared 7.4 cents to 42.8 cents per gallon at retail, and 6.0 cents to 40.8 cents per gallon at wholesale.
- Refiner residual fuel oil sales mostly declined in August. Total sales fell 3.0 million gallons per day (11.5 percent), to 23.0 million gallons per day. Low-sulfur residual fuel sales dropped 600,000 gallons per day (7.1 percent), while high-sulfur residual fuel sales declined 2.4 million gallons per day (13.7 percent).

## ***Other Products***

- With the exception of some categories of propane sales, prices for products included in this section rose during August. Refiner propane prices increased 2.0 cents per gallon at retail, and 3.7 cents per gallon at wholesale. Including data from a sample of propane marketers, the average residential propane price declined 2.0 cents per gallon. The average retail price for propane fell 2.4 cents, while the average wholesale price increased 3.8 cents per gallon. Prices for kerosene-type jet fuel, aviation gasoline, kerosene, No. 1 distillate, and No. 4 distillate rose at both retail and wholesale.
- Refiner sales of propane and kerosene increased at both retail and wholesale again in August, while sales of aviation gasoline and No. 4 distillate fell at both levels. Sales of kerosene-type jet fuel fell at retail and remained flat at wholesale. No. 1 distillate sales decreased at retail but rose at wholesale.

